producers are required to acheive the norms and consequently, reduce the production cost to maintain/improve profitability.

(iii) RPS provides for certain capacity utilization norms based on which the retention prices are worked out. There is a built in incentive to achieve capacity utilization level to improve the profitability which also result in reduction in cost.

(iv) Various measures are taken to reduce the production cost by way of grant of 3% interest concession under the Interest Concession Scheme on long term loans.

(v) Reduction in input cost of Urea by fixation of liquid petroleum products prices at import parity levels w.e.f. 9.7.2001.

Alagh Committee recommendations of urea pricing

937. SHRI NANA DESHMUKH: Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether recommendation of Dr. Y.K. Alagh Committee and Expenditure Reforms Committee on new pricing policy for urea units have been received;

(b) if so, what are the main recommendations;

(c) Government's decision thereon;

(d) by when these would be implemented; and

(e) whether the new pricing policy would bring down the fertilizer subsidy; if so, the quantum thereof?

THE MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS (SHRI SATYA BRATA MOOKHERJEE) (a) Dr. Y.K. Alagh Committee has submitted its report on reassessment of productioin capacity of urea manufacturing units in March 2001. Expenditure Reforms Commission (ERC) has submitted its report entitled "Rationalizing Fertilizer Subsidies" in September 2000.

(b) The main recommendations of Dr. Y.K. Alagh

Committee and ERC are given in enclosed Statement-I and Statement-II, respectively. (*See* below).

(c) and (d) The recommendations of Dr. Y.K. Alagh Committee and ERC are under examination.

(e) Government is in the process of formulating new pricing policy for urea units keeping in view the recommendations of ERC which will aim at making subsidy payments more transparent and rational and will induce urea manufacturers to take cost reduction measures. The new pricing policy would reduce the subsidy but the quantum thereof will be known after finalization of the policy.

Statement-I

Main recommendations of Dr. Y.K. Alagh Committee on reassessment of production capacity of urea manufacturing units

Regarding reassessment of capacities of gas based units, out of the 27 urea units considered by the Committee, the Committee has recommended the reassessed capacities of 13 units only. The reassessed capacity as recommended by Dr. Alagh Committee in respect of 13 units are given below:

(Capacity in metric tonne per day (MTPD)

Sl.No	Name of the unit	Plant	Declared capacity	Interim Reassessed capacity	Reassessed capacities is recommended by Dr. Alagh Committee
1	2	3	4	5	6
1.	IFFCO-Aonla-1	Ammonia	1350	1500	1520
		Urea	2200	2586	2620
2.	IFFCO Aonla-2	Ammonia	1350	1500	1520
		Urea	2200	2586	2620
3.	NFL Vijaipur-1	Ammonia	1350	1500	1520
		Urea	2200	2586	2620
4.	NFL Vijaipur-2	Ammonia	1350	1500	1520
		Urea	2200	2586	2620
5.	CFCL Gadepan-1	Ammonia	1350	1500	1520
		Urea	2250	2586	2620

1	2	3	4	5	6
6.	CFCL Gadepan-2	Ammonia	1350	1500	1520
		Urea	2250	2586	2620
7.	IFFCO Phulpur-2	Ammonia	1350	1500	1520
		Urea	2250	2586	2620
8.	OCFL Shajahanpur	Ammonia	1350	1500	1520
		Urea	2200	2586	2620
9.	IGFCL Jagadishpur	Ammonia	1350	1500	1520
		Urea	2200	2586	2620
10.	TCL Babrala	Ammonia	1350	1500	1520
		Urea	2250	2586	2620
11.	KRIBHCO Hazira	Ammonia	2700	3000	3040
		Urea	4400	5172	5240
12.	NFCL Kakinada-1	Ammonia	900	1050	1050
		Urea	1500	1810	1810
13.	NFCL Kakinada-2	Ammonia	900	1050	1050
		Urea	1500	1810	1810

As regards RCF-Thal, the Committee has recommended that there should be no reassessment and has further recommended a financial package as an interim relief.

The Committee has further recommended that as the effect of incremental capacity on account of installation of Purge Gas Recovery units has already been included under the reassessed capacities recommended by the Committee, no further revision is required in this regard.

Statement-II

Main recommendations of Expenditure Reforms Commission

1. The ERC has recommended dismantling of the control system in a phased manner, leading at the commencement of fourth stage, to a totally decontrolled fertilizer industry which can compete with imports albeit with a small level of protection and a feed stock cost differential compensation to naphtha/LNG based units to ensure self-sufficiency.

A. First Phase: 1.2.2001 to 31.3.2002

In the first phase beginning February 1, 2001, the existing Retention Price-cum-Subsidy Scheme (RPS) for Urea units should be replaced by group-based Concession Scheme. The existing urea units may be classified into five groups with the rate of concession being determined on the basis of averaging of retention prices as on 1.4.2000 of the respective group, rounding off the averages to the lower of Rs. 100 in each group. While working out the rates of concession for units, based on naphtha, FOILSHS and mixed feed stocks, the Commission has worked out the concession rates on the assumption that these units will either import their feed stocks requirements or procure these from domestic resources if the latter are willing to sell these at import parity price. During first phase itself the Commission has recommended that the distribution control mechanism may also be done away with. It has also recommended that a special provision of Rs. 200 crore may be made to provide freight subsidy for effecting supplies in the North East, Jammu & Kashmir and other difficult areas. ERC has proposed to deduct Rs. 100 per MT from the concession amounts payable to urea units to mobilize Rs. 200 crore for this special freight subsidy.

B. Second Phase: 1.4.2002 to 31.3.2005

In the second phase beginning from 1.4.2002, the rates of concession payable to the five groups are reduced taking into account the reduction in capital related charges in respect of gas-based groups and the expected progress in improving energy efficiency in the case of three non-gas based groups of units.

C. Third Phase: 1.4.2005 to 31.3.2006

In the third phase beginning from 1st April 2005, all the non-gas based plants will examine the feasibility of modernisation and switching over to LNG. For plants that do not switchover to LNG as feed stock, only the level of concession that the unit would have been entitled to would be limited to if it had switched over to LNG. However, ERC has also stated that in order to achieve the

self-sufficiency in urea production, new plants based on FOILSHS/ LNG may also be permitted and provided with feedstock differential cost.

D. Fourth Phase: From 1.4.2006

The fourth phase begins on 1.4.2006 when the industry is decontrolled.

2. 7% Annual increase in MRP

The Commission recommended a 7% increase in the price of urea in real terms every year from 1.4.2001. This way the open market price will reach Rs. 6903 by 1.4.2006, a level at which the industry can be freed from all controls and be required to compete with imports, with variable levy ensuring availability of such imports at the farm gate at Rs. 7000 per tonne of urea. While no concessions will be necessary from this date onwards for gas based, FOILSHS and mixed feed stock plants, existing naphtha units converting to LNG as also new plants and substantial additions to the existing plants will be entitled to a feed stock differential with that for LNG serving as a ceiling.

3. Dual Pricing Scheme and Employment Guarantee Scheme

For protecting the small and marginal farmers against the price rise of urea, the Commission has suggested introduction of dual price scheme through tradable coupons and expansion of Employment Guarantee Scheme and rural works programmes to increase their purchasing power.

Closing down of NPPA

938. SHRI MUNAVVAR HASAN: Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether it is a fact that NPPA (National Pharmaceutical Pricing Authority) has no role to play in the light of patent law;

(b) whether it is also a fact that the Chairman and Member (Secretary) of NPPA have been transferred;

(c) whether it is also a fact that no officer is interested to join NPPA; and